25 October 2019

Indirect Tax Alert

Turkey introduces Digital Services Tax

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On 24 October 2019, the Turkish Government submitted an initial bill which introduces a Digital Services Tax (DST) into Turkish tax legislation. The bill proposes a DST at the rate of 7.5% on revenue and sets forth the scope of the tax, the taxpayers and exemptions.

According to the initial bill, revenues derived from the provision of the following services are subject to DST:

- All kinds of digital advertising services (including services such as advertisement control and performance measurement services, the services for data transmission and management of users, and technical services for the presentation of ads)
- The sale of any audio, visual or digital content in digital media, and services provided in digital media for listening, viewing, playing or recording or using them in digital media (including computer programs, applications, music, video, games, in-game applications, among others)
- Services for the provision and operation of digital media in which users may interact with each other (including platforms enabling the sale of goods or services among users)
- Intermediary services provided in the digital environment for the above services are also subject to DST

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The tax base for the DST is revenue derived from the provision of the respective services during the related tax period. The taxation period for the DST is one-month periods of the calendar year.

The tax rate is 7.5%. The President has the authority to reduce the rate to 1% or double the rate of 7.5%, based on service type, separately or altogether.

Taxpayers subject to this proposed tax will be the providers of these digital services. Their state of being fully liable, or not, as per the Income Tax Law No. 193 and the Corporation Tax Law No. 5520, under limited liability status, does not affect the tax liability for digital services. Neither does the question of whether they are dealing with the concerning activities through a place of business or permanent representatives in Turkey play a role. In situations where the taxpayer has no residency, legal and/or business center in Turkey and other situations where it is deemed appropriate, the Ministry of Treasury and Finance may determine the taxpayer to be the parties to the transaction subject to taxation or the ones who mediate the transaction and payment.

Taxpayers exceeding a revenue threshold of €750 million in global revenues and TRY20 million in local revenues are subject to DST.

According to the initial bill, revenues derived from the provision of the following services are exempt from DST:

- Services that are subject to "treasury duty" paid in accordance with the Telegram and Telephone Law
- Services that are subject to the "special communication tax"
- Services within the scope of Article 4 of the Banking Law No. 5411
- Payment services within the scope of Article 12 of the Law on Payment and Securities Settlement Systems, Payment Services and Electronic Money Institutions
- Sales of products and services provided exclusively through these products developed as a result of research and development (R&D) activities in R&D centers that are defined under Article 2 of the Law on Supporting Research, Development and Design Activities dated 28/2/2008 No. 746.

The provisions of the bill regarding the DST will be effective in the third month following publication of the Law in the *Official Gazette*.

For additional information with respect to this Alert, please contact the following:

Kuzey Yeminli Mali Müşavirlik ve Bağımsız Denetim A.Ş. Istanbul

- Ateş Konca ates.konca@tr.ey.com
- Gamze Durgun gamze.durgun@tr.ey.com

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EYG no. 004810-19Gbl

1508-1600216 NY
ED None

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